

From: Mullen, Robert W.
[MullenRW@umsystem.edu]
Sent: Friday, February 08, 2013 2:45 PM
To: Stacey Preis; Trevor Foley; Wagner, Paul
Cc: Krawitz, Nikki; Graham, Steven W. (Academic Affairs)
Subject: Joint Committee Formula

Thank you for sharing greater detail about the model and meeting with us. We do have a couple of recommendations that we believe should be incorporated in the formula.

1. We applaud adding our medical SCH to the weighted SCH used for instructional cost computations. We do, however, recommend that the weighting for the first-professional programs at MU (Medicine and Veterinary Medicine) and UMKC (Medicine, Dentistry) be set at 19.5, rather than the current 10.02. We believe this new weighting more accurately represents the higher costs and clinical nature of these programs. This higher weighting is also more in line with what other states are using in their formula, such as such as Texas (<http://www.thecb.state.tx.us/reports/Docfetch.cfm?Docid=2291&Format=XLS>) and Alabama (<http://www.ache.alabama.gov/CBR2012/Index.pdf>).
2. We recommend using a “weighted” mean, rather than a median when looking at peer data. Using the median with the wide range of different institutions in our peer group can lead to misleading information. For example, our work shows that the cost of Student Services per headcount at some of our peers goes from \$439 per student at Louisiana Tech University with an enrollment of 13,189 to a high of \$1,427 at Ohio State with an enrollment of 63,184. The best way to accurately reflect the average cost of Student Services would be to sum the sector’s total Student Services expenditures, sum the total headcounts, and then compute an average for the whole sector. This would affect the following factors:
 - a. Standardized Rate per Credit hour for Costs of Instruction
 - b. Standardized Rate per Headcount for Costs of Public Service
 - c. Standardized Rate per Costs of Student Services
3. It appears that when headcount is used to determine the peer average costs (Public Service and Student Services), annual headcounts are used. But, when computing our target amounts based on these annual per student costs, our Fall

headcounts are being used. We believe for consistency, annual headcount be used for both peers and for determining our target amounts.

4. We also applaud the recommendation to use a three-year average in order to dampen sudden enrollment or financial changes. As you are aware, subtle changes have occurred in both the IPEDS Finance and 12-Month Enrollment surveys beginning with FY2009. However, NCES has made available national data for FY2010 and FY2011. Until FY2012 are available, we suggest using a two-year average (FY2010-FY2011) to ensure consistent data are used over time. In subsequent years, we think using a three-year average would be appropriate.
5. Pell computation – NCES provides a computed “percent of undergraduates receiving Pell grants.” We recommend that the NCES number be used as it is readily available and compares Pell recipients in the Fall with the Fall undergraduate population.
6. System-wide, in FY2010 we enrolled over 12,000 Pell eligible students reflecting over \$47.9 million in expenditures, compared to the peer median of 5,211 Pell eligible students and \$21.2 million in expenditures. We believe the model does not accurately represent the number or level of expenditures of the Pell Eligible students we serve nor does it reflect the state-wide goal to enroll needy students. We recommend that the adjustment for Pell be distributed proportionately based on the number of Pell recipients at each institution (using the 4-year institution total recipients).
7. We recommend that Performance funding be allocated from new appropriations that would be added to the base each year going forward. A formula could allocate Performance funding first as a percent of the total new funding. If performance funding is treated as part of the base, in a year in which state support is reduced relative to the prior year, an institution that does not reach its performance goals will suffer not only the overall reduction in state support but also a reduction due to performance.
8. The model as developed is driven by three factors: cost to do business, enrollment and performance. There is no factor that focuses on quality of output. While at this time we don’t have a recommendation for how this might be factored in, it is a major concern. The extent to which our graduates acquire the knowledge, skills and abilities to be productive citizens after graduation is in the end what really matters. We are concerned that we might be incentivizing the wrong things.

9. We recommend that as the general assembly considers a funding formula for higher education that it reconsider the tuition limitations in place under SB389. The limitations in this bill which allow 4-year institutions below the average to increase tuition up to the average regardless of the percentage increase, prohibit those with tuition above the average from increases greater than inflation, and place no limits on community college tuition should be revoked. Institutions and their Boards are cognizant of the need for student access and affordability balanced against the need for resources to maintain quality. Tuition increases should be driven by both of these factors and left to the institutions and their governing boards.
10. Using the benchmark State funding level as the peer median level of percent of total expenditures when the peers are other poorly funded states seems strange. At the very least it should be the median of the peers or the existing percent for the institution, whichever is higher.

Thank you!

Bob

Robert Mullen, Director Institutional Research
University of Missouri System
731 Lewis Hall
Columbia, MO 65211
Phone: (573) 882-0004
Fax: (573) 884-5545
<http://www.umsystem.edu/ums/departments/fa/planning/>